GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4154
ANSWERED ON:04.05.2007
RUPEE APPRECIATION
Deora Shri Milind Murli

Will the Minister of FINANCE be pleased to state:

(a) the effect of appreciation of Indian rupee on individuals, importers and exporters;

(b) whether the appreciation of rupee would effect India`s Balance of Payments; and

(c) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b) & (c): Appreciation of Indian rupee would have different impact on individuals, importers and exporters. It might lead to reduced rupee value in the hands of recipients of forex flows and to higher foreign exchange value for payments abroad. An appreciation of rupee in both nominal and real effective exchange rate terms would make imports cheaper and exports costlier. The appreciation or depreciation of the rupee is determined by demand for and supply of foreign currencies, which in turn are determined by current account balances and capital flows in the Balance of Payments.